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SUBJECT: THE DOMINICAN REPUBLIC: ON THE VERGE OF SOCIALIZED MEDICINE?

REF: SANTO DOMINGO 01292

¶1. SUMMARY: The Dominican Republic is on the verge of implementing a groundbreaking, tightly regulated new health insurance system that could conceivably be called socialized medicine. Under this system, known as the "Family Health Plan" (SFS), all employees will be enrolled in the same minimal health insurance plan whose terms will be set by the government. Employers will be permitted to offer one of several government-approved supplemental coverage plans to their employees, who will have the option to decline the additional coverage. Instead of a flat fee, the cost to enroll in the basic plan shall be set at a flat percentage (8.53%) of each worker's salary, of which employers must pay 70%. A government agency will collect all employee deductions for health care insurance and disburse them to one of several private insurance providers chosen by employers. The Dominican Medical College (CMD), the largest physicians' group in the country, objects to SFS's creation of a committee that will elaborate fee schedules for all health care service, public and private. They say they will not honor the plan unless it guarantees doctors and clinics a fair rate of return for their services; their opposition was the major factor that forced President Fernandez to postpone by 90 days the anticipated June 1 implementation date for SFS. Other critics object to the fact that in its current form, SFS will not pay for health expenses associated with automobile accidents or serious medical conditions (such as AIDS or cancer). Still others complain of the confusing and non-transparent manner in which the program has been developed. Despite opposition from key sectors of society and a broad lack of public understanding, President Fernandez declares it a national duty to implement the SFS system. END SUMMARY.

BACKGROUND

¶2. In 2001 the administration of President Hipolito Mejia implemented a far-reaching "Law on Social Security" that entailed groundbreaking changes in setting up systems for pensions, workers' compensation and health insurance. Among other things, the law tasked the government's Office of the Treasurer for Social Security (Tesoreria de la Seguridad Social) with collecting and dispersing all salary deductions relevant to these three systems for the benefit of all Dominican citizen and permanent resident employees. The new pension and workers' compensation systems were implemented relatively quickly, but the Mejia administration was unable to finalize the health insurance system, known as the "Family Health Plan" (SFS), due to controversy with doctors' groups and others.

¶3. Late last year President Fernandez made the implementation of the SFS a priority of his own. Last December his administration convened an assembly with

representatives from business groups, labor unions, and powerful medical groups like the Dominican Medical College (CMD), the largest association of physicians. Despite disagreements, the participants were able to agree in principle to a plan to implement the new SFS system by June 1. President Fernandez vowed that during the six-month interim his administration would finalize the publication of procedures and regulations intended to iron out any problems and promote clarity and public understanding of the new system.

¶4. As the June 1 scheduled implementation date approached, it became increasingly clear that the Fernandez administration had failed to produce the policies and guidelines it had promised. Key employers' groups and labor unions complained that their members had little understanding of their rights and obligations under the new system. Virtually everyone demanded that SFS's implementation be postponed. Although some in the government resisted, they had little choice but to comply after the CMD, the largest physicians' group in the country, announced that it would instruct its doctors not to honor the new system because they were not satisfied it would guarantee them a fair return on their services.

AN OVERVIEW OF THE SFS SYSTEM

¶5. The more one learns about the SFS system and the changes it will have for the Dominican medical and health insurance industries, the more justified the controversy surrounding its implementation appears. In essence, one could argue that SFS has the aim of achieving socialization of Dominican medicine to a degree found in very few countries. Yet, for a system that could involve such profound changes, some key elements remain mired in confusion -- even for the professionals charged with studying and implementing the system. Following is a description of each of the main components of the policy.

-- Membership

¶6. SFS will require all employers in the Dominican Republic to purchase the same essentially government-established "Basic Health Plan" for all of their employees, both permanent residents and Dominican citizens. There are no exceptions; all employees must be enrolled in the basic health care plan. However, non-Dominican employees who do not have permanent residence in the country will not be permitted to enroll in a health insurance policy. This exclusion will most keenly affect the hundreds of thousands of undocumented persons of Haitian descent who live in the Dominican Republic.

-- Health Insurance Providers

¶7. A small number of private, government-certified health insurance providers, denominated "Health Risk Administrators" (ARS) under the Social Security Law of 2001, will be responsible for providing health insurance. Companies will be given the freedom to select an ARS for their company's employees.

-- Health Insurance Plans, basic and complementary

¶8. Even though the "Basic Health Plan" will be provided by different, competing health insurance providers, the principal elements of the plan, in which ALL Dominican employees must be enrolled, are the same. The basic health plan subsidizes the cost for patients of primary care and some specialty care, if deemed appropriate and referred by the patient's primary physician. However, the basic plan has

a cutoff for all services and costs -- that is to say, it will pay only for a certain amount. For example, the basic plan may cover only 500 pesos (US\$16) per day of the cost of a prescription drug regimen.

¶9. Employers who wish to offer additional coverage to their employees may select one of several government-certified "complementary plans." Employers will not be permitted to select any plans that have not been approved and published by the government. Again, coverage will be provided by private health insurance providers. The decision by an employer to offer one or several of the complementary plans does not obligate the employee to accept it; the employee may continue with basic coverage only, if he or she chooses to do so. Complementary plans will theoretically offer beneficiaries more options and a higher rate of quality. They will also have higher cut-offs -- for example, instead of paying only 500 pesos (US\$16) each day of the cost of a prescription drug regimen, a complementary plan may cover up to 2000 pesos (US\$63) per day in pharmaceutical costs.

-- Plan contributions

¶10. One of the most groundbreaking changes incorporated in the SFS system is that it charges employees based on a percentage of their salary for enrollment in the "Basic Health Plan." The cost of basic coverage is set in the SFS system at 8.53 percent of a worker's salary; a worker's total contribution would cap at a rate equivalent to 8.53 percent of a monthly salary of 49,000 pesos (US\$1,530).

¶11. Of a worker's 8.53 percent salary contribution for enrollment in the basic plan, employers will be responsible for paying 70 percent, whereas employees would be responsible for paying the remaining 30 percent. Likewise, employers who offer access to one of the complementary plans would be responsible for paying 70 percent of the cost of these plans; employees would responsible for paying the remaining 30 percent.

¶12. All salary deductions for health insurance purposes shall be made directly to the Dominican Office of the Treasurer for Social Security (Tesoreria de la Seguridad Social). The treasurer will then pay a flat annual fee, set last December at 4,737 pesos (USD 148) per person for the minimal coverage plan, to the private insurance providers based on the number of patients enrolled in their plans.

-- Procedures to Seek Care

¶13. Plan beneficiaries seeking medical attention will first be required to visit a "Primary Attention Center," or gatekeeper, that will be assigned to each patient based on where he or she resides. If deemed necessary by doctors there, a patient can be referred by the gatekeeper to a specialized care provider covered under the plan.

-- Service Fees

¶14. Under the SFS system, a body known as the "Medical Fees Committee" would be responsible for establishing a schedule of approved fees for all medical services and consultations. Neither public nor private medical care providers would be permitted to charge fees that exceed those set by that Committee. The Medical Fees Committee is a tripartite committee involving representation from the business sector, labor unions, and the Dominican government.

MAJOR CRITICISMS OF SFS

¶15. The SFS system has its share of detractors. Although

doctors' groups figure most prominently among these, others, including civic, business and labor organizations, have voiced concerns. Among the major criticisms of the SFS system are the following.

-- Fees for Medical Services

¶16. The issue of medical fees has been perhaps the most controversial one throughout the process. The CMD, the largest physicians' group in the Dominican Republic, objects to the fact that the Medical Fees Committee involves no participation from physicians and clinic owners. In a conversation with poloff, Dr. Angel Veras, top legal advisor in the CMD, indicated that his organization would not accede to SFS until they are satisfied that the system guarantees doctors a reasonable return for their services.

¶17. The most commonly cited example of the fee disputes underway between the government and physicians' groups involves the basic baseline cost of a medical consultation. Doctors' groups say that their clients charge on average 500 pesos (USD 16) for basic consultations; there are rumors that the Medical Fees Committee initially envisioned setting the fee for consultations at only 175 pesos (USD 5.50). Although President Fernandez and others have said that negotiations have managed to bridge most of the divide over this issue, Embassy is not aware that this or other fee disputes have been resolved.

-- Limitations on Seeking Care

¶18. Echoing complaints heard in the United States about health maintenance organizations (HMOs), some have objected to the fact that the new system tells patients where they may and may not seek care. Specifically, many patients object to the fact that SFS forces them to visit a Primary Attention Center, determined for them according to where they reside, which will have final discretion on whether and where a patient may seek additional care.

¶19. In announcing the 90-day suspension of SFS last week, President Fernandez said that his administration would work to ensure that all patients will have the right to "choose to continue visiting the doctor(s) they currently visit at the cost they are currently charged."

¶20. Critics have also objected to the fact that the SFS system, at least initially, will not pay for medical costs associated with serious pre-existing diseases and conditions such as AIDS and cancer. It is unknown whether patients would have to pay the full amount for these treatments under the new system; President Fernandez did not mention this criticism in his speech last week.

-- Lack of Clarity

¶21. A major complaint in the lead-up to the June 1 implementation date was that the government agencies charged with elaborating policies and procedures had failed to do so.

For example, a fee structure has not yet been developed (in part due to opposition from doctors' groups, as noted above), nor have the lists of approved Primary Attention Centers been published.

¶22. In his speech to the public last week, President Fernandez promised that prior to the revised implementation date of the SFS his administration would "develop and publish the information necessary to clarify properly to citizenry key issues such as the costs and the services that the plan will entail."

-- Automobile Accidents

¶23. The 2001 Law on Social Security stated that medical

injuries from automobile accidents would not be covered by the SFS system because such injuries were (theoretically) the responsibility of automobile insurance companies. However, a significant proportion (perhaps a majority) of Dominicans do not purchase automobile insurance even though they are legally obligated to do so. The working poor who are least able to afford medical expenses are the most likely to be uninsured.

¶24. After citizens' groups objected to the exclusion of automobile accident injuries from the SFS system, the government announced that it would study the creation of a fund to cover these injuries. Although that fund, known as "FONAMAT," has not yet been created, in his speech last week President Fernandez promised that it would be up and running prior to the implementation of the SFS system.

-- Financial Status of the Treasurer for Social Security

¶25. Many have questioned the financial soundness of the fund managed by the Treasurer for Social Security. They wonder whether, given the significant outlays the government has invested in the Santo Domingo Metro, the fund is prepared to handle the millions of social security payments it will be obligated to make. Others have also expressed concerns that the funds would not be managed responsibility and would create opportunities for corruption and mismanagement.

¶26. In rebuffing these criticisms, President Fernandez declared that his administration had done "that which none other in the history of the Republic has managed to do -- devote 1.6 billion pesos (USD 50 million) to the sustainability" of the fund for the SFS system.

-- Modifying the 2001 Law on Social Security

¶27. Finally, in response to those who have advocated legal reform of the 2001 Law on Social Security (and the complicated SFS system it created), President Fernandez has responded with a resounding "NO." In his speech last week he said, "We cannot reform a law that we haven't even begun to implement."

¶28. COMMENT: President Fernandez's stubborn determination to stay the course on the SFS system bears plenty of similarities to his commitment to his beloved Santo Domingo Metro. As in the SFS system, prior to the Metro's construction a wide range of experts expressed serious misgivings about the sustainability of the project in both the short term and the long run. Fernandez ignored the warnings and went ahead with construction, urging those responsible to complete the work as quickly as possible. Today, only two years after construction on the Metro began, the project is seriously over budget and the doubts about its sustainability appear to have been well justified: a few months ago a cave-in left a gaping hole where once a major thoroughfare had stood. Notoriously flexible Santo Domingo drivers have taken in stride the vexations of construction, and they have developed alternative routes to reach destinations that once would have required the collapsed thoroughfare. One cannot help but wonder, if and when portions of the SFS system collapse, what alternative arrangements patients and hospitals will make to ensure that the country's medical system continues to function.

BULLEN